

FINANCIAL AND COMMERCIAL

VIOLENT BREAK IN STOCK PRICES

Heavy Liquidation Was Sudden and Unexpected.

WAR SCARE IMPELLING CAUSE

OTHER CONSIDERATIONS WERE IGNORED.

New York, Jan. 2.—Today's violent break in prices of stocks was sudden and unexpected, and the grounds for the heavy liquidation of the day are not clear even now although it is evident that an acute apprehension of the effect of the coming outbreak of war between Russia and Japan was the impelling cause. The news of the dispatch of Russian troops to the border of Manchuria was rather more hopeful of the possibility of avoiding war, but Wall Street has accepted war as the assured outcome of the situation for some time and has viewed that outcome with apparent equanimity without selling to discount a war scare, as is the invariable custom of speculative markets in face of the coming event. The accumulated force of the alarmed selling movement today, therefore, gave rise to fears that some thing was known in the interior circles of great capitalists of ulterior complications threatening to involve other powers in the coming struggle.

The published expressions of opinion of a general involvement uttered by an American military authority and intimations that an outbreak of war would involve a delicate situation for all the great powers, including the United States, were seized upon to feed the prevalent alarm. The effect upon the market lost nothing in force from the fact that the considerable speculative commitments have been made in expectation of a January demand for securities, which may be checked by the course of events which is feared. Other considerations seemed to be wholly ignored, and the bank statement offered nothing to counteract the disposition to get out of stocks.

The first of the year is expected to involve large changes in bank items, but today's 16,000,000 loan expansion, following that of over 12,000,000 last week, is indicative of other demands than year end in the payments, and causes the fear that last winter's enormous corporation borrowings after Jan. 1, are to be duplicated this year. The market closed active and weak, in spite of spasmodic rallies in spots, and losses on the day range from 1 to 4 points on the principal active stocks.

The advance of the last few weeks in prices of stocks showed some hesitation this week, and came to a halt when admonished by the stiffening of the rates for call loans, which gave warning of the active lending for the use of funds recently accumulated in banking reserves. These funds have been placed on call pending the demand for their employment in paying off the year end obligations for which they were accumulated. The amount of the dividends and interest to be paid in January is variously estimated at from \$120,000,000 to \$150,000,000. By skillful management it is possible to arrange for the transfer of the greater part of this to bank accounts and by not disturbing the aggregate bank deposits. But the banks are accustomed to take account of the possibility of the simultaneous presentation of the checks sent out for these year end payments and to arrange their reserves accordingly. The further engagements of gold in London for import this week have been viewed, therefore, with satisfaction, and have been a material factor in moderating the influence of the higher money rate. The course of the loan item of the banks in the next few weeks is another factor to be keenly watched. Large railroad bond issues are known to be impending, and last week's heavy loan expansion gave warning that the corporation borrowing was beginning earlier than usual without waiting for the actual release of funds after the January disbursements. Last year the loan contraction continued up to the end of the year, but from Dec. 25, 1902, to Feb. 21, 1903, the loans of the New York banks expanded to the extent of nearly \$700,000,000, bringing the total of that item to \$950,000,000—the high record. Much of that borrowing was in the form of note issues by railroads, and bond issues are now offering in the market for the purpose of taking up some of these note issues in funded form.

More Money Needed.

The possible further needs of the railroads remain to be ascertained. Rumors have revived also of possible combinations and purchases among the railroads, which would necessitate further capital issues. The only concrete development in this direction was the invitation to deposit Chicago & Alton preferred stock with a view to its sale, but this was sufficient to set afoot a wide variety of surmises regarding a group of properties in which the same ownership figures.

On the side of industrial incorporations, the Journal of Commerce has compiled an estimate of a total capitalization of completed industrial consolidations in 1903 of less than \$430,000,000, compared with \$1,122,000,000 in 1902 and \$2,305,000,000 in 1901.

While the tightening of the money market has checked the activity and the advance in the market the reaction has not become acute, and the profit-taking by professional operators has been well taken. The action of the market has fostered the impression that powerful support has been at hand to conserve the purposes of the advance. The opinion is general that an important element of these purposes is to improve the showing in investments held by great financial corporations in yearly balance sheets to stimulate the market for taking new bond offerings to better advantage, and also to some extent to make a higher level of prices on which to meet the demand of the general outside public which is made for with the January relation of the money markets. The freedom from any pressure upon the market in face of the advance has been an encouraging factor in itself and sentiment over the business outlook has grown less pessimistic. This is notably true regarding the iron and steel industry. Report from railroad traffic officials of a pressure of business sufficient to threaten car shortage in some directions was not without effect upon sentiment. The wild speculation in the cotton market has been a disturbing factor rather than otherwise, but this has been restricted. Factors in the background which have not lost their force are the unsettled influences of a national political campaign, the decision in the Northern

case to come, and the shaping of consumptive demand for products during the coming year.

The bond market has reflected only a light investment demand, and prices have moved irregularly. United States 4s registered have declined 1/4, the 3s 1/4, and the old 4s 2 per cent. on call during the week.

Bond Quotations.
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